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2 United States Attorney

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NORTHERN DISTRICT OF CALIFORNIA

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8 UNITED STATES DISTRICT COURT  
9 NORTHERN DISTRICT OF CALIFORNIA  
10 SAN FRANCISCO DIVISION

CRB

11  
12 UNITED STATES OF AMERICA,

13 Plaintiff,

14 v.

15 DESMOND MCQUOID and  
16 U.S. MACHINERY dba USM Distributors  
17 and US MACH,

18 Defendants.  
19

CR02

0319

VIOLATION: 18 U.S.C. § 1341 – Mail  
Fraud

SAN FRANCISCO VENUE

20 INDICTMENT

21 The Grand Jury charges:

22 INTRODUCTION

23 At all times relevant to this indictment:

24 1. Beginning in approximately 1984, DESMOND MCQUOID was employed by the San  
25 Francisco Unified School District ("the School District") as the assistant director of custodians, a  
26 position in the School District's facilities department.

27 2. Beginning in approximately 1994, MCQUOID became the unofficial director of  
28 security for the School District. As the director of security, MCQUOID was required to purchase

1 equipment and services only in accordance with state law and the policies and procedures of the  
2 School District.

3 3. From approximately 1994 until 1998, California law and School Board policy required  
4 that all purchases in excess of \$21,000 be competitively bid. In March 1998, this limit was  
5 increased to \$50,000. The School Board, the policy making body for the School District,  
6 allowed School District employees to make purchases under \$500 with department head  
7 approval. Beginning at a time unknown but no later than 1996, the School Board required  
8 certifications from the program manager, the purchasing department, and the accounting  
9 department for purchases in excess of \$500 but less than the allowable limit mandated by state  
10 law for competitive bids. After the necessary certifications were obtained, the School District's  
11 purchasing department would issue a purchase order and the purchase could then be made. It  
12 was improper to split purchases to circumvent the School Board's certification policy.

13 4. Beginning at a time unknown but no later than 1996, the School Board approved  
14 "encumbrances," that is, it set aside funds for a particular purpose, during the annual budget  
15 approval process. These encumbrances allowed the School District to issue open purchase orders  
16 so that multiple purchases could be made from a single vendor without the necessity of getting a  
17 new purchase order for each transaction.

18 5. Beginning at a time unknown but no later than 1996, MCQUOID purchased security  
19 alarm equipment, supplies, and services from vendors on behalf of the School District. In order  
20 for a vendor to be paid, MCQUOID completed a request for payment form and attached a copy of  
21 the invoice showing that the goods and services were received. Once these forms were received  
22 and reviewed by the School District's accounting department, the School District issued checks  
23 to the vendors. Generally, these checks were mailed to the vendors.

24 6. U.S. Machinery ("USM") also doing business as USM Distributors and US Mach, was  
25 a distributor of computers and computer peripherals headquartered in Fremont, California with  
26 offices in South San Francisco and Sunnyvale, California. Prior to December 1997, the School  
27 District did not approve an encumbrance for USM. Therefore, MCQUOID was not supposed to  
28 purchase more than \$500 in computer equipment or peripherals from USM without obtaining the

1 required certifications from his program manager, the purchasing department, and the accounting  
2 department. Beginning in approximately 1998, the School District approved an encumbrance for  
3 USM.

4 7. Another company located in South San Francisco, California, supplied burglar and fire  
5 alarms, home audio systems, closed circuit televisions, and other security equipment, ("Alarm  
6 Company"). Beginning at a time unknown but by approximately 1996, the School District  
7 approved an encumbrance which permitted the facilities department to purchase security alarm  
8 equipment and services from Alarm Company without needing any additional certifications from  
9 the program manager, the purchasing department, and the accounting department.

#### 10 THE SCHEME TO DEFRAUD

11 8. Between in or about 1996 and 2000, Desmond MCQUOID, USM, and others known  
12 and unknown to the Grand Jury, devised and intended to devise a scheme and artifice to defraud  
13 the School District and to obtain money by means of false and fraudulent pretenses,  
14 representations and promises by submitting false, fraudulent and inflated invoices that caused the  
15 School District to overpay for the goods and services it received from USM, and pay for  
16 undisclosed goods and services that were for MCQUOID's benefit, thereby resulting in losses to  
17 the School District of approximately \$200,000.

18 9. It was part of the scheme to defraud that:

- 19 a. MCQUOID purchased computers and peripherals directly from USM.
- 20 b. MCQUOID periodically asked USM to provide him with goods and services  
21 for his personal benefit including: food, DVDs, t-shirts, furniture, computer  
22 and camera equipment, plane tickets to Hawaii, New Zealand, Puerto Rico and  
23 other locales, hotel accommodations, beach house rentals and training courses  
24 for his side businesses unrelated to the School District.
- 25 c. MCQUOID directed USM to include the costs of these items in the invoices  
26 submitted to the School District.
- 27 d. MCQUOID instructed USM to submit invoices for his purchases to Alarm  
28 Company. Alarm Company was a vendor with an approved encumbrance

1 with the School District.

2 e. MCQUOID instructed USM to falsely describe the equipment in the invoices,  
3 making it appear that the equipment was part of the security systems supplied  
4 by Alarm Company, when it was not.

5 f. MCQUOID asked Alarm Company to bill the School District for the items  
6 that were actually purchased directly from USM.

7 g. Alarm Company prepared false invoices which included a mark-up of  
8 approximately 25 percent from USM's actual selling price and then sent them  
9 to the School District for payment.

10 h. MCQUOID completed requests for payment forms for the USM purchases and  
11 attached the false invoices supplied by Alarm Company and USM.

12 i. The School District paid Alarm Company and USM as directed.

13 j. After 1998, when the School District approved an encumbrance for USM,  
14 MCQUOID submitted the false invoices prepared by USM for direct payment  
15 by the School District.

16 k. USM's invoices to the School District typically included a ten percent mark-  
17 up above the true cost of supplying goods and services to MCQUOID.

18 COUNTS ONE THROUGH SEVEN: 18 U.S.C. § 1341 (Mail Fraud)

19 10. Paragraphs One through Nine are realleged as if fully set forth here.

20 11. On or about the dates set forth below in the Northern District of California and  
21 elsewhere, the defendants

22 DESMOND MCQUOID and  
23 US MACHINERY dba USM Distributors and US MACH

24 did knowingly and intentionally devise and intend to devise a scheme and artifice to defraud the  
25 San Francisco Unified School District and to obtain money by means of false and fraudulent  
26 pretenses, representations and promises and, for the purpose of executing that scheme, knowingly  
27 caused to be delivered from San Francisco, California by the United States Postal Service  
28 according to the directions thereon the following checks:

COUNT	DATE OF MAILING	CHECK NUMBER	AMOUNT
ONE	December 10, 1997	084222	\$44,570.96
TWO	October 14, 1998	001295	\$32,094.30
THREE	November 24, 1998	006642	\$8,463.00
FOUR	December 8, 1998	008482	\$12,108.60
FIVE	December 11, 1998	009147	\$14,712.60
SIX	August 31, 1999	040093	\$93,463.48
SEVEN	October 27, 1999	45004	\$21,927.85


All in violation of Title 18, United States Code, Section 1341.


DATED:

A TRUE BILL.

\_\_\_\_\_  
FOREPERSON

KEVIN V. RYAN  
United States Attorney

  
\_\_\_\_\_  
CHARLES BEN BURCH  
Chief, Criminal Division

(Approved as to form: )

ALISA Bernstein